

Current Support Brief

INCREASED CHINESE COMMUNIST AID TO CEYLON:
FACT OR FICTION



CIA/RR CB 64-25

April 1964

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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INCREASED CHINESE COMMUNIST AID TO CEYLON:
FACT OR FICTION

Recent Chinese Communist proposals to grant Ceylon \$7 million* in aid probably represented mere window dressing for Chou En-lai's visit in February. In spite of Chou En-lai's announcement that additional aid would be forthcoming if needed, the "new" proposals appear to be included within the framework of the existing (but little implemented) Chinese aid program, and no new aid commitments are expected. The proposed grant of \$7 million includes \$4.2 million for textile imports in 1964 and \$2.8 million for the construction of an international conference hall. The Chinese also have agreed to increase exports of rice in 1964 beyond the 200,000 metric tons to be exchanged for 35,000 metric tons of rubber under the existing rice-for-rubber barter agreement -- the net addition to be covered by Chinese credit. 1/

Chinese Communist aid proposals have a large propaganda content, and actual implementation proceeds at a slow pace. Of the \$36.8 million in Chinese economic aid commitments to Ceylon extended in 1957, 1958, and 1962, \$26.1 million remains unused, including \$21 million in economic grants and \$5.1 million in commodity credits for flood relief. The Chinese generally fulfill commitments for technical assistance and commodities at a faster rate than those for machinery and equipment. They probably will supply the \$4.2 million worth of textiles and the additional supplies of rice during 1964, but it is doubtful whether drawings for those projects already on the books will be stepped up.

The Chinese Communists often have attempted to evade Ceylonese criticism of lagging aid programs by subsequent extensions or enlargements. In October 1962, in the face of negligible shipments under the 5-year Chinese aid grant of September 1957, the schedule was extended 5 more years (to 1967). The 1958 commodity credit for flood relief, also unused, likewise was extended until 1967. In the same year the Chinese, rather than adopt firm measures for improving the timetable for existing aid commitments, chose to increase their aid commitment by giving Ceylon an additional grant of \$10.5 million -- none of which has yet been used. 2/ Although Ceylon's current economic problems are severe -- (1) the lowest foreign exchange reserves in two decades

* Dollar values are given in current US dollars throughout this publication.

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(only \$78 million compared with more than \$200 million in 1958); (2) steadily rising consumer prices, reaching an all-time high in February; and (3) a number of crippling strikes that led to the declaration by the government of Ceylon of a state of emergency and the proroguing of Parliament -- Chinese economic aid is not expected to make a significant contribution toward solving them. 3/

The following tabulation provides a summary of Chinese Communist economic grants and credits to Ceylon:

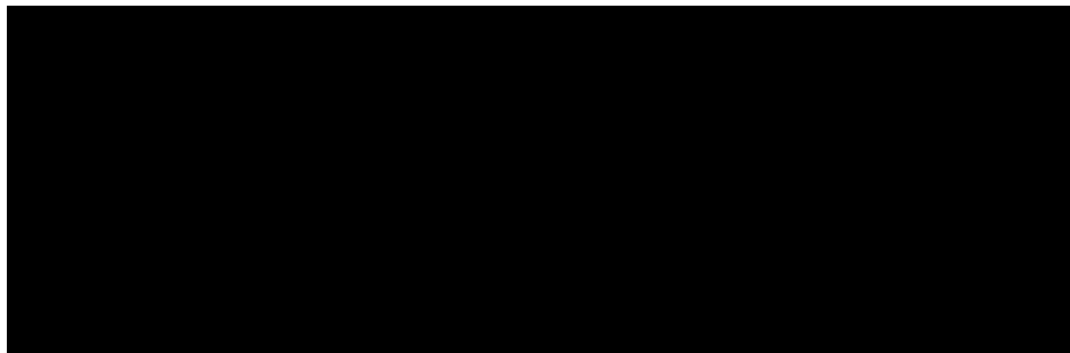
Projects	Million US \$		Status
	Extended	Drawn	
September 1957 grant -- commodity credit chargeable to rubber rehabilitation	15.8	5.3	
Textile mill, Pugoda (\$4.2 million)			Being surveyed
Railroad coaches and other rolling stock (\$5.0 million)			Completed
Tires for the Ceylon Transport Board (\$1.0 million)			Being implemented
Textile manufacturing equipment (\$1.1 million)			No known progress
Fountain pen factory			Proposed late in 1963; no known progress
September 1958 line of credit -- flood-relief measure	10.5	5.4	
Rice (\$5.4 million)			Completed
Rice (dollar value not known)			Proposed in February 1964
October 1962 grant -- commodity credit chargeable to rubber rehabilitation	10.5	0	
Textile imports for 1964 (\$4.2 million)			Proposed in February 1964
International conference hall (\$2.8 million)			Proposed in February 1964
Total	36.8	10.7	

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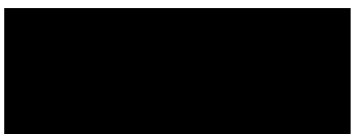
In addition to economic aid, Ceylon signed a maritime agreement with the Chinese Communists in August 1963, permitting the reciprocal use of the ports of both countries for the transport of cargo and passengers. The agreement grants the Chinese transshipment rights in Ceylonese ports, which may facilitate their trade in many areas, notably Africa. The Chinese reportedly also have agreed to provide some technical training in textile production under their aid program. 4/

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Sources:



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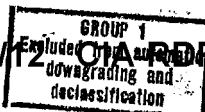
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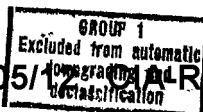
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